

AMENDED IN SENATE AUGUST 24, 2006

AMENDED IN SENATE AUGUST 7, 2006

AMENDED IN ASSEMBLY MAY 26, 2006

AMENDED IN ASSEMBLY APRIL 24, 2006

AMENDED IN ASSEMBLY APRIL 6, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL

No. 2570

**Introduced by Assembly ~~Member Arambula~~ *Members Arambula
and Haynes***
(Principal coauthor: ~~Assembly Member Haynes~~)

February 23, 2006

An act to add Sections 7504.5, 13984.3, and 13984.5 to the Government Code, relating to economic development.

LEGISLATIVE COUNSEL'S DIGEST

AB 2570, as amended, Arambula. Community investment.

Existing law requires that each state and local retirement system submit audited financial statements to the ~~State~~ Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year.

This bill would require public retirement systems with assets over \$4,000,000,000 to ~~include in financial statements~~ *provide* specified information regarding investments it obtains on and after ~~January~~ *July* 1, 2007, and holds in its portfolio ~~in regarding California investments, as defined, and emerging domestic markets within the state market investments, as defined.~~ This bill would specify that investments be

reported by asset class, fair market value, and percentage of total portfolio.

This bill would state legislative declarations regarding institutional investors, including public pension funds.

This bill would also state the Legislature's intent that, consistent with their *plenary authority and fiduciary obligations responsibilities*, other retirement systems with sufficiently diversified portfolios adopt emerging domestic market investment policies that meet their own unique investment objectives.

Existing law vests the Secretary of Business, Transportation and Housing with various administrative duties and functions.

This bill would require the secretary to establish a statewide cooperative partnership with business ~~and~~, industry, *investment, and community development* sectors to develop a strategy to attract new private investment into the state. This bill would further require the secretary to ~~establish an Advisory Committee on Private Investments in California's Future, as specified,~~ *consult with key private investment partners* to assist in the development and implementation of the strategy ~~and guide the partnership~~.

This bill would also require the secretary to submit the strategy to the Legislature and the Governor by ~~October 1, 2007~~ *February 15, 2008*, and to update the strategy at least every 5 years.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 7504.5 is added to the Government
2 Code, to read:
3 7504.5. ~~As part of (a)~~ *In addition to* its annual audited
4 financial statement submitted to the Controller pursuant to
5 subdivision (c) of Section 7504, each state and local public
6 retirement system with assets over \$4 billion shall *include a*
7 ~~report on investments~~ *California investments, as defined in*
8 *paragraph (1) of subdivision (c) of Section 13984.5, and*
9 *emerging domestic market investments, as defined in paragraph*
10 *(2) of subdivision (c) of Section 13984.5, that it obtains on and*
11 ~~after January~~ *July 1, 2007, and holds in its portfolio in California*
12 ~~and all assets in emerging domestic markets within the state, as~~
13 ~~defined in subdivision (e) of Section 13984.5.~~ Investments by

1 asset class shall be reported by fair market value and percentage
2 of the total portfolio.

3 *(b) A state or local public retirement system may elect to*
4 *satisfy the reporting requirements of this section by reporting on*
5 *its total portfolio rather than only those investments made after*
6 *July 1, 2007, if information is provided and identified*
7 *consistently with the definitions in subdivision (c) of Section*
8 *13984.5.*

9 SEC. 2. Section 13984.3 is added to the Government Code, to
10 read:

11 13984.3. (a) The Secretary of Business, Transportation and
12 Housing shall establish a statewide cooperative partnership with
13 ~~the business and industry~~ *business, industry, investment, and*
14 *community development* sectors to develop a strategy to attract
15 new private investment to the state.

16 (b) (1) In addition to any other group or entity that the
17 secretary chooses to consult in preparation of the private
18 investment strategy developed pursuant to subdivision (a), the
19 secretary shall ~~establish an Advisory Committee on Private~~
20 ~~Investment in California's Future~~ *consult with key private*
21 *investment partners* to assist in the development and
22 implementation of the strategy and guide the partnership.

23 ~~(2) The agency shall provide staffing for the committee.~~

24 ~~(3) The committee shall consist of~~

25 (2) *"Key private investment partners" include, but are not*
26 *limited to, representatives from the banking and insurance*
27 *industries, foundations, corporate and public pension funds,*
28 *venture capital funds, community development financial*
29 *institutions, and community development corporations.*
30 ~~Representatives should~~ *"Key private investments partners" may*
31 *include foreign and out-of-state, as well as California based*
32 *entities.*

33 ~~(4)~~

34 (3) The agency shall use the California Economic
35 Development Strategic Plan prepared pursuant to Section 15570
36 to facilitate the development of the implementation strategy.

37 (c) The implementation strategy shall do the following:

38 (1) Assess current trends and opportunities in global and
39 domestic investment practices.

1 (2) Assess who are the major asset managers by investment
2 types.

3 (3) Assess how the state can be a greater recipient of foreign
4 and domestic investment including, but not limited to, key
5 California businesses and industries, and areas of the state with
6 capital needs that have been historically unmet, also known as
7 emerging domestic markets.

8 (4) Include a discussion on how the state could establish a
9 cooperative private investment marketing campaign.

10 (5) Make recommendations for changes, if any, in applicable
11 regulations and statutes.

12 (6) Make any other recommendations that the advisory
13 committee determines are relevant.

14 (7) Identify opportunities to facilitate community-based efforts
15 to revitalize low-income neighborhoods in the state.

16 (8) Assess how the state can utilize New Markets Tax Credits
17 and venture capital guarantees to facilitate wealth creation and
18 low-income neighborhood revitalization.

19 (d) The secretary may hold business roundtables, conferences,
20 and use other devices the agency deems appropriate to engage
21 leaders in the ~~business and industry~~ *business, industry,*
22 *investment, and community development* sectors to develop the
23 implementation strategy.

24 (e) The secretary shall submit the private investment strategy
25 to the Legislature and the Governor by ~~October 1, 2007.~~
26 *February 15, 2008.* The private investment strategy may be part
27 of, or at least consistent with, the California Economic
28 Development Strategic Plan prepared pursuant to Section 15570,
29 and updated at least every five years.

30 SEC. 3. Section 13984.5 is added to the Government Code, to
31 read:

32 13984.5. (a) The Legislature finds and declares that
33 investments in emerging domestic markets can provide
34 appropriate risk-adjusted returns to institutional investors
35 including public pension funds. In 2000, the boards for
36 administration for CalPERS and CalSTRS each adopted a
37 2-percent goal for investments in emerging domestic markets.
38 These investments have, first, created value for the members of
39 their retirement system, and second, increased access to financial

1 capital in historically underserved markets *and historically*
2 *disadvantaged groups of people.*

3 (b) It is the intent of the Legislature that, consistent with their
4 *plenary authority and their fiduciary obligations, responsibilities*
5 *under Section 17 of Article XVI of the California Constitution,*
6 other retirement systems with sufficient diversified portfolios
7 adopt emerging domestic market investment policies that meet
8 their own unique investment objectives.

9 (c) For the purposes of this section ~~“emerging section:~~

10 (1) *“California investment” means an investment that*
11 *produces competitive risk-adjusted rates of return while still*
12 *promoting economic and community development opportunities.*
13 *In the case of fund-to-fund investments or opportunistic*
14 *investments, “California investment” may include moneys that*
15 *are directed under an agreement with the asset manager to be*
16 *primarily invested in California. “California investment”*
17 *includes, but is not limited to:*

18 (A) *A publicly held company with a headquarters or*
19 *significant operations in California.*

20 (B) *A privately held company that is headquartered in*
21 *California.*

22 (C) *Real estate in California or loans on real estate located in*
23 *California.*

24 (2) ~~“Emerging domestic markets” market investment~~ means
25 *an investment that produces competitive risk-adjusted rates of*
26 *return while still promoting economic and community*
27 *development opportunities to areas of the state that have been*
28 ~~identified by the California Economic Strategy Panel as having~~
29 *historically have had limited access to capital markets.*
30 *“Emerging domestic market investment” also means an*
31 *investment that produces competitive risk-adjusted rates of*
32 *return while still promoting economic and community*
33 *development opportunities and which targets groups of people*
34 *who are historically underserved.* ~~The~~

35 (d) ~~The Economic Strategy Panel shall develop, in~~
36 *consultation with the public pension funds with assets over \$4*
37 *billion, a definition of emerging domestic markets that these*
38 *funds can use to track private investments in California’s*
39 *emerging domestic markets. The definition shall be prepared by*
40 *four billion dollars (\$4,000,000,000), streamlined and*

1 *cost-effective methods for identifying investments with their*
2 *portfolios that meet the definitions of California investment and*
3 *emerging domestic market investment. The identification methods*
4 *shall be prepared by October 1, 2007, and updated at least every*
5 *five years. The definition shall be made available through the*
6 *Economic Strategy Panel's Internet Web site.*

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